



PRESS RELEASE

Federal Deposit Insurance Corporation • Each Depositor insured to at least \$250,000

November 21, 2013

Media Contact:
Greg Hernandez
(202) 898-6993
mediarequests@fdic.gov

FDIC Issues Final Guidance Regarding Deposit Advance Products

FOR IMMEDIATE RELEASE

The Federal Deposit Insurance Corporation (FDIC) today issued final supervisory guidance to FDIC-supervised financial institutions that offer or may consider offering deposit advance products. The guidance is intended to ensure that banks are aware of the credit, reputational, operational and compliance risks associated with deposit advance products and have taken steps to mitigate these risks effectively. This guidance supplements the FDIC's existing guidance on payday loans and subprime lending, as well as the FDIC's guidelines on small dollar loans.

FDIC Chairman Martin J. Gruenberg said, "The final supervisory guidance released today aims to alert financial institutions to the risks posed by certain deposit advance products and to encourage institutions to meet the demand for small-dollar loans through affordable products that are prudently underwritten and designed."

Deposit advance products are a type of small-dollar, short-term credit product that some depository institutions offer to customers maintaining a deposit account, reloadable prepaid card, or similar deposit-related vehicle. The customer takes out a loan, which is to be repaid from the proceeds of their next direct deposit. Deposit advance products share a number of characteristics seen in traditional payday loans, including high fees; short, lump-sum repayment terms; and inadequate attention to the consumer's ability to repay. As such, banks need to be aware that deposit advance products can pose a variety of credit, reputational, operational, compliance and other risks.

The FDIC recognizes the demand for responsible small-dollar credit products for consumers that are underwritten with attention to the customer's ability to repay the loan



Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet at www.fdic.gov, by subscription electronically (go to www.fdic.gov/about/subscriptions/index.html) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). PR-105-2013

without needing to borrow repeatedly to meet necessary expenses. The FDIC's 2007 Affordable Small-Dollar Loan Guidelines encourage insured institutions to offer small-dollar loan products that have affordable, reasonable interest rates with no or low fees and payments that reduce the principal balance of the loan. If structured properly, small-dollar loans can provide a safe and affordable means for borrowers to transition away from reliance on high-cost debt products. A number of banks are currently offering such small-dollar loans to their customers. The FDIC encourages banks to continue to offer these products, consistent with safety and soundness and other supervisory considerations. The FDIC also encourages banks to develop new or innovative programs to effectively meet the need for small-dollar credit.

Attachment:

Final Guidance on Supervisory Concerns and Expectations Regarding Deposit Advance Products - PDF (PDF Help)

###
